

Message Text

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ACTION EB-11

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TAGS: ETRD EAGR GATT SP

SUBJ: SPANISH VARIABLE LEVIES/REBATES ON SOYBEANS;
COUNTERVAILING DUTY INQUIRY

REF: STATE 20983, 22208

1. I MET YESTERDAY WITH UNDER SECRETARY FOR FOREIGN AFFAIRS, JUAN JOSE ROVIRA Y SANCHEZ HERRERO, AND DIRECTOR GENERAL FOR INTERNATIONAL ECONOMIC RELATIONS, JOSE LUIS CERON AYUSO, ON THE INDICATED SUBJECTS. I WAS ACCOMPANIED BY ECON COUNSELLOR. IN PRESENTING AGAIN THE U.S. REQUEST FOR AN IMMEDIATE ENDING OF THE VARIABLE LEVY/REBATE SYSTEM ON SOYBEAN IMPORTS, I MADE THE ARGUMENTS STATED UO US IN THE SEVERAL DEPTELS RECEIVED ON THE SUBJECT BUT STRESSING THE FOLLOWING:

A. THE VARIABLE LEVY IS CLEARLY IN VIOLATION OF GATT AND PREJUDICIAL TO U.S. TRADE IN SOYBEANS.

B. THE DANGEROUS PRECEDENT FOR THE INTERNATIONAL TRADING SYSTEM CREATED BY THE SPANISH ACTION.

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C. THE NEED TO MAINTAIN GATT AS AN EFFECTIVE INSTITUTION

FOR ADVANCING COLLECTIVE TRADE INTERESTS OF MEMBER COUNTRIES AND THE IMPORTANCE ATTACHED TO ALL CONTRACTING PARTIES ABIDING BY GATT OBLIGATIONS.

D. LASTLY, BUT OF PRIME IMPORTANCE TO THE U.S., THE INTEREST IN NOT HAVING THE VARIABLE LEVY/REBATE AS AN OUTSTANDING ISSUE BETWEEN SPAIN AND THE U.S. AT *HIS TIME WHEN THE TRADE REFORM ACT IS BEING CONSIDERED IN THE U.S. CONGRESS, AS OPPONENTS OF TRADE LIBERALIZATION ARE USING EXAMPLES SUCH AS THE SPANISH SYSTEM TO QUESTION U.S. PARTICIPATION IN MULTILATERAL TRADE NEGOTIATIONS (MTN) AND TO INSERT INTO THE TRADE REFORM ACT PROTECTIVE MEASURES NOT DESIRED BY THE ADMINISTRATION.

2. I STATED TO THE UNDER SECRETARY THAT IN THE ABSENCE OF ACTION BY THE GOS TO TERMINATE THE VARIABLE LEVY SYSTEM IMMEDIATELY, I WAS INSTRUCTED TO INFORM THE GOS THAT THE USG WOULD BE FORCED TO MAKE A DECISION BY FEBRUARY 11 ON COUNTER MEASURES. THE FIRST STEP WOULD BE TO ASK THE GOS REPRESENTATIVE TO EXPLAIN HIS GOVERNMENT'S STATEMENT THAT IT MAINTAINS NO IMPORT RESTRICTIONS ON SOYBEANS ABOVE GATT BINDINGS AT THE UNCTAD MEETING IN ROME THE WEEK OF FEBRUARY 18.

3. THE UNDER SECRETARY REPLIED TO MY PRESENTATION SAING THAT WHILE HE WAS NOT FULLY INFORMED ON THE ISSUE BECAUSE OF HIS VERY RECENT ARRIVAL FROM ABROAD AND ENTRY ON DUTY, HE QUESTIONED WAS IT NOT THE CAS* THE U.S. HAD AFFECTED EXPORTS OF SOYBEANS TO SPAIN BY IMPOSITION ON SHORT NOTICE OF EXPORT CONTROLS IN 1973. I EXPLAINED THE SUPPLY SITUATION WHICH LED TO THAT USG ACTION AND THE FACT THAT THE SPANISH WERE CAUGHT UP AT THE TIME U.S. EXPORT CONTROLS WENT INTO EFFECT BY THEIR NOT HAVING FORWARD CONTRACTUAL COVERAGE FOR THEIR SUPPLIES WHICH REQUIRED THEM TO PAY EXHORBITANT PRICES IN THE OPEN MARKET AND CREATED THEIR PROBLEM. THE UNDER SECRETARY THEN ASKED WHETHER IT WAS CLAIMED THAT U.S. EXPORTS WERE NOW BEING AFFECTED BY THE VARIABLE LEVY SYSTEM. I HAD TO CONCEDE THAT ON AN APPROVED EXPORT LICENSE BASIS COVERING THE FIRST HALF LIMITED OFFICIAL USE

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OF 1974 U.S. EXPORTS OF SOYBEANS SEEMED TO BE NORMAL RELATIVE TO THE TRADITIONAL U.S. POSITION IN THE SPANISH MARKET. CERON INTERJECTED THAT U.S. TRADE HAD NOT BEEN AFFECTED AND THAT THE REQUIREMENT FOR U.S. SOYBEANS IN SPAIN WAS PRICE-INELASTIC.

4. ROVIRA SAID THAT THEY WOULD STUDY THE U.S. REQUEST IMMEDIATELY AND OBSERVED THAT OF COURSE BOTH PARTIES

SHOULD RECOGNIZE THAT GOVERNMENTS OFTEN TOOK ACTIONS IN THEIR GENERAL NATIONAL INTEREST WHICH RESULTED IN TECHNICAL VIOLATIONS OF GATT. HE RECALLED THAT DURING HIS TOUR IN CANADA THERE HAD BEEN AN EXPLOSION ABOUT THE U.S. ACTION OF 1971 IMPOSING SURCHARGES ON IMPORTS. THAT TOO HAD BEEN CONTRARY TO GATT. CERON REMARKED WHAT COUNTRY HAD NOT BEEN IN VIOLATION OF GATT AND MENTIONED THAT IN ADDITION TO U.S. SURCHARGE ACTION, SPAIN HAD A LONG-STANDING COMPLAINT AGAINST THE U.S. FOR RESTRICTIONS ON IMPORTING HAND GUNS. CERON ADDED THAT THE VARIABLE LEVY WAS A TEMPORARY MEASURE AND STATED THAT INsofar AS OUR BEING INFORMED OF A GOS DECISION BY FEBRUARY 11, I COULD TAKE IT THAT ACTION BY THAT DATE WAS OUT OF THE QUESTION.

5. I THEN RAISED OUR PROBLEM OF THE NEED FOR INFORMATION ON THE SPANISH EXPORT REBATE SYSTEM, STRESSING THE IMPORTANCE THIS HAD FOR THE TREASURY DEPARTMENT IN DEALING WITH THE COMPLAINT PENDING BEFORE THAT DEPARTMENT ON IMPORTATION OF OLIVES AND FOOTWEAR FROM SPAIN. I EMPHASIZED PARTICULARLY THE URGENCY ARISING FROM THE FACT THAT TREASURY REPRESENTATIVES WOULD HAVE TO TESTIFY BEFORE THE SENATE FINANCE COMMITTEE ON THE TRADE REFORM BILL AND THE ADVANTAGES TO BOTH SPAIN AND THE U.S. OF HAVING THE TREASURY DEPARTMENT IN A POSITION TO MAKE A DECISION ON THE COMPLAINT BASED ON ALL RELEVANT DATA.

6. CERON WAS FULLY INFORMED ON THE U.S. REQUEST AND STATED THAT THE REAL PROBLEM FOR THE GOS IN THIS CASE WAS ONE OF PRINCIPLE. HE EXPLAINED THAT SPAIN CONSIDERED ITS TAX STRUCTURE AND HOW IT WAS FORMED AND WHAT CONSIDERATIONS WERE FACTORED INTO ANY SYSTEM SUCH AS AN EXPORT REBATE A MATTER OF SOVEREIGNTY. SPAIN, AS MANY OTHER LIMITED OFFICIAL USE

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COUNTRIES, CONSISTENTLY REFUSED IN INTERNATIONAL FORA TO EXPLAIN THE COMPOSITION OF ITS TAX STRUCTURE AS A MATTER OF SOVEREIGNTY. HOWEVER, BECAUSE OF THE CLOSE BILATERAL RELATIONSHIP BETWEEN SPAIN AND THE U.S., HE WAS DISCUSSING WITH THE DIRECTORATE GENERAL OF CUSTOMS, WHICH IS RESPONSIBLE FOR THE EXPORT REBATE SYSTEM, WHAT COULD BE GIVEN TO THE U.S. TO SATISFY TREASURY'S NEED, BUT IF IT WERE TO BE GIVEN, THE U.S. MUST UNDERSTAND THAT THE ACTION WAS TAKEN BY SPAIN WITHOUT ANY DEROGATION OF ITS PRINCIPLE THAT ITS TAX STRUCTURE WAS A MATTER OF SOVEREIGN RIGHT.

7. THUS, THE FOREIGN OFFICE IS COMMITTED TO A RESPONSE ON EACH OF THESE SUBJECTS, BUT IN THE CASE OF SOYBEANS IT IS CLEAR THAT WE ARE UNLIKELY TO HAVE ANYTHING BY

FEBRUARY 11.

8. THE MINISTRY OF FOREIGN AFFAIRS REPS THEN RAISED
FOUR OTHER ISSUES WHICH ARE THE SUBJECT OF SEPTELS.
RIVERO

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